

# 2017-2018 annual report

## Summary



## Mayor's Comment

*He karere na te koromātua*

Greetings to all the Residents and Ratepayers of Invercargill!

It is great to see the city is forging ahead. When we

built Splash Palace we faced waves of criticism. Some claimed the pool would leak like a sieve because it was located too close to the railway lines. This fear was proven to be unfounded. The aquatic centre has been a brilliant asset for both the City and the Region. This year we will be investing \$1.7 million on new changing rooms and a foyer upgrade. OK, with the benefit of hindsight we didn't correctly estimate the large numbers of senior citizens that would be using this facility. We focused our attention on teaching our children to swim, developing a wide range of water sports, hosting secondary school swimming championships and recreational activities.

Perhaps the most exciting developments are taking place in the Central Business District. K-mart is well underway, the Auction House is a new, popular café, the Library is undergoing a major facelift and our inner city streets have been lined with happy, victorious crowds cheering on our sporting heroes in cricket, basketball and netball.

The grand-daddy of all these projects is however nicknamed 'THE BLOCK'. This bold and innovative development proposal is spearheaded by a partnership involving the Richardson Group and the Invercargill City Council (HWCP). Yes there will be disruption on our city streets and yes there will be an element of risk involved but never forget the risk of doing nothing is also a factor that must be considered. We cannot stand by and watch our once proud city wither on the vine as a result of new legislation on earthquake prone buildings. Neither can we neglect iconic buildings on the periphery of the city. Anderson House needs a huge dollop of TLC. The new, state of the art, Branxholme Water Treatment Plant has proven to be a brilliant success and the ongoing upgrading of that superb strategic asset, Invercargill Airport, is increasing its passenger numbers with every passing year. Of course there will be a few unexpected bumps along the highway but after 24 years as this city's Mayor I am confident that Southlanders have the strength and resilience to face any challenge the future may throw in our direction.

*Mayor Tim  
Shadbolt*

# Chief Executive's Comment

*He karere na te tumu whararae*



**Council's Vision:**

The Council's Vision is 'To enhance our City and preserve its character, while embracing innovation and change' and the 2017/18 year has been one with an emphasis on change.

In March this year I started as Chief Executive at the Invercargill City Council. As in all cases where a new person is appointed to a role, I have looked at how we provide what we provide and am beginning to identify areas where I think we can improve the efficiency and effectiveness of our service delivery. I am looking forward to working with the organisation to deliver high quality services into the future.

Council's commitment to the maintenance and development of core infrastructure continued through 2017/18. The 2017/18 year was the first full year of operation of the upgraded Branxholme Water Treatment Plant and for the first time we have eliminated the earthy taste and smell that has characterised our water supply during the summer months.

Our Libraries and Archives team have had a very successful year, winning two awards for their Social Media work, including the Keeping up with the Librarians photo shoot that went viral.

Construction work for the improvements to the foyer and café areas and the increase in changing room space at Splash Palace began in March 2018. It is expected that the construction will be completed by February 2019.

In October 2015, the Southland Mayoral Forum published the Southland Regional Development Strategy (SoRDs). This is a significant community collaborative project and the City Council is doing its part to progress regionally significant projects. During 2017/18, the public were consulted on a proposal to create a Southland Regional Development Agency. This new entity will incorporate the current Venture Southland, but will be based on a wider community-based organisational structure rather than the present joint committee arrangement run by the Invercargill City, Gore District and Southland District Councils. Support for the proposal came from the Government, Ngai Tahu, local industries and businesses and the community. I am looking forward to working with our partners to progress regional development over the coming years.

The Long-term Plan has identified some challenging projects over the next ten years and I will continue to encourage staff to remember the affordability to ratepayers and look for efficiencies wherever possible.

Clare Hadley  
**CHIEF EXECUTIVE**

In the opinion of the Council and management of Invercargill City Council, this Summary Annual Report represents fairly and consistently the financial position and operations of Council as detailed in the Annual Report 2017/18. This Summary Annual Report is authorised for release by the undersigned on This Summary Annual Report is authorised for release by the undersigned on 23 November 2018..

Tim Shadbolt, Mayor

Clare Hadley,  
Chief Executive

Dave Foster,  
Acting Director  
of Finance

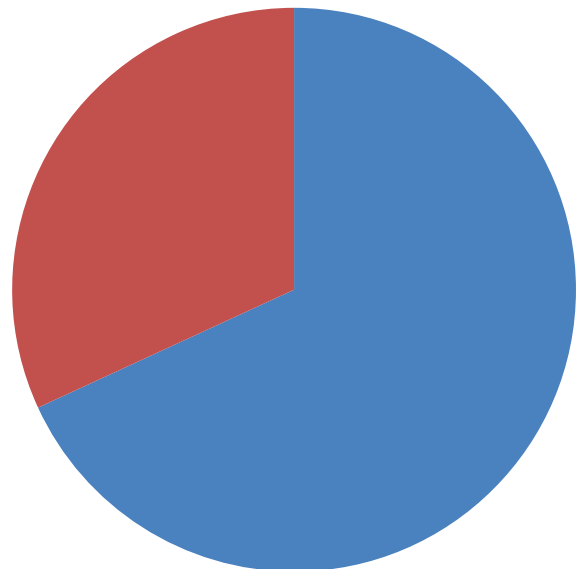
# Summary of Service

## SUMMARY OF ACTIVITIES AND LEVELS OF PERFORMANCE

The 2017/18 Annual Plan identified 91 levels of service against which its performance would be measured for its activities. The levels of service were what Council wanted to provide to its community and the actual measurement indicates whether or not it has been delivered.

Council achieved 62 out of 91 measures.

In the graph to the right, "Achieved" means that the 2017/18 performance measure was met or exceeded. "Not Achieved" means the 2017/18 performance measure was not undertaken or not provided to the target level.



■ Achieved - 62

■ Not Achieved - 29

This Annual Report Summary details the performance measures and their achievement for the activities. A summary of how these activities positively contribute towards Council's four Community Outcomes are detailed below.

Community Outcome	Activity and Performance Measure	2017/18 Target	2017/18 Actual
Healthy lifestyle in a healthy environment.	Civil Defence - Percentage of surveyed households prepared for an emergency including self-sufficiency for three days.	60% by 2021	Achieved Residents - 61% Farmers - 64% (2016/17: Achieved)
	Libraries and Archives - Membership as a percentage of the total population.	65% - 75%	Achieved - 70.03% (2016/17: Achieved)
	Passenger Transport - Homes in the Invercargill urban area are within 400 metres of a serviced bus route.	90%	Achieved - routes are unchanged from previous years - 90% (2016/17: Achieved)
	Pools - Number of visits to Splash Palace per head of Invercargill population.	At least 6	Achieved - 8.0 visits based on population of 51,696 (2016/17: Achieved 7.8)
	Public Toilets - Automated toilets are available 24 hours a day.	95%	Not Achieved - 92% (2016/17: 95%)
	Water Supply - Ministry of Health Grade.	Invercargill - Aa Bluff - Aa	Not Achieved - Invercargill is Aa, Bluff is Ab (2016/17: Not Achieved)

Community Outcome	Activity and Performance Measure	2017/18 Target	2017/18 Actual
A diverse and growing economy.	Compliance - Parking patrols of Council managed parking spaces.	Average 100 hours patrolling per week.	Not Achieved - 60 hours (2016/17: Achieved)
	Destinational Marketing - Number of tourism businesses using Venture Southland services.*	>25	Achieved - over 100 businesses (2016/17: Achieved - 133)
	Enterprise - Business Mentor Programme.	50 mentor/client matches.	Not Achieved - 30 (2016/17: Not Achieved)
	Investment Property - Rate of return is at least equal to the current market interest rate.	Achieve current market interest rate.	Not Achieved - 3.64% (2016/17 Achieved - 5.93%)
	Solid Waste Management - Maintain a regional materials discarded rate of 650kg disposed per person.	Maintain.	Not Achieved - 710kg (2016/17: Not Achieved - 678kg)
	Pools - Percentage of Swim School customers who rater their experience as good or very good when surveyed.	80%	Achieved - 86% (2016/17: Achieved - 92%)

\* Note this is for the entire region not just the Invercargill City District

Community Outcome	Activity and Performance Measure	2017/18 Target	2017/18 Actual
A city that is a great place to live and visit.	Building Control - Statutory time frames for processing consents are met.	100%	Not Achieved - 99.07% (2016/17: Not Achieved - 99.2%)
	Democratic Process - Percentage of residents survey respondents who provide a rating of satisfied or greater with the opportunities Council provides for community involvement in decision making.	50%	Not Achieved - 38% (2016/17: Not Achieved - 34%)
	Destinational Marketing - Number of media and famil* opportunities facilitated.	8 per year	Achieved - 37 (2016/17: Achieved 30)
	Housing - Rental does not exceed 30% of the gross superannuation benefit	<30%	Achieved - all rents are below 30% (2016/17 Achieved - all rents are below 30%)
	Parks and Reserves - Percentage of urban residents within 500 metres of a park or reserve.	100%	Achieved. (2016/17: Achieved)
	Passenger Transport - All members of the community have the opportunity to use the public transport.	Total Mobility Scheme is administered to the satisfaction of the Total Mobility Annual Combined Committee Meeting.	Achieved - The meeting was complimentary of the service. (2016/17: Achieved)



Community Outcome	Activity and Performance Measure	2017/18 Target	2017/18 Actual
Strong, innovative leadership.	Animal Services - An increase in new dog registrations.	5% increase in new dog registrations from the 2015/16 registration period.	Not Achieved - 4% increase (2016/17: Achieved)
	Compliance - Reduction in the number of infringements being sent to Courts for collection.  (Number of tickets paid as a percentage total issued.)	75% of all tickets issued are paid without the need to refer to the Courts for collection.	Not Achieved - 68% of tickets issued were paid without being referred to the Courts.  (2016/17: 67%)
	Roading - Council's cycling network is fully marked.	Increasing percentage.	Not Achieved - No new markings  (2016/17: Achieved)
	Sewerage - Service disruptions for individual properties are less than 12 hours.	100%	Not Achieved - 96%  (2016/17 Not Achieved - 86%)
	Stormwater - Complaints of stormwater blockage responded to within one hour.	90%	Not Achieved - 83%  (2016/17: Not Achieved - 75%)

# Uncompleted Projects

Not all projects planned and funded in 2017/18 were completed. Projects valued over \$100,000 which will now be completed or undertaken in 2018/19 are:

Community Services	
▪ Passenger Transport - National Regional Ticketing Project	\$408,901 (funded from Rates)
Infrastructure and Services	
▪ Drainage - Sewerage - Clifton - Digester and Screening Upgrade	\$725,314 (funded from Loan)
▪ Drainage - Sewerage - Beatrice Street Treatment Pond	\$150,000 (funded from Loans and Rates)
▪ Drainage - Sewerage - Tay and Mersey Street Pipe Network	\$1,116,241 (funded from Rates)
▪ Drainage - Sewerage - Stead Street Stopbank	\$1,330,000 (funded From Loan)
▪ Parks and Reserves - Winter Garden	\$154,303 (funded from Rates)
▪ Parks and Reserves - Surrey park grandstand	\$514,000 (funded from Rates)
▪ Parks and Reserves - Storage Building	\$200,000 (funded from Rates)
▪ Parks and Reserves - Chinese garden	\$600,000 (funded from Special Reserve)
▪ Parks and Reserves - Gala Street Signage	\$180,000 (funded from Rates)
▪ Parks and Reserves - Bluff Boat Ramp	\$400,000 (funded from Loan)
▪ Property - Civic Theatre	\$150,000 (funded from Loan)
▪ Property - Scottish Hall	\$236,827 (funded from Special Reserves)
▪ Property - Library	\$2,004,323 (funded from Loan and Special Reserves)
▪ Property - Administration Building	\$4,735,000 (funded from Loan)
▪ Property - Splash Palace (Change Rooms, Carpark and Bulkhead Renewal)	\$1,930,957 (funded from Loan and Special Reserves)



### Infrastructure and Services continued

▪ Public Toilets - New Exeloo Waikiwi	\$125,000 (funded from Loan)
▪ Roding - Surveillance Cameras	\$165,164 (funded from Rates)
▪ Roding - LED Upgrade	\$3,227,350 (funded from Rates and NZTA)
▪ Roding - Streetlight 11 year programme	\$716,280 (funded from Rates and NZTA )
▪ Roding - Stirling Point Safety Footpath	\$250,000 (funded from Rates)
▪ Roding - Onstreet Parking Meter Replacement	\$150,000 (funded from Loan)
▪ Water - Branxholme duplicate pipeline	\$280,000 (funded from Rates)
▪ Water - Supply to Awarua Industrial Estate	\$100,000 (funded from Loan)
▪ Water - Branxholme plant upgrade	\$247,300 (funded from Loan)
▪ Water - Asbestos cement mains renewal	\$1,809,000 (funded from Rates)
▪ Water - Gala Street Reservoir	\$214,000 (funded from Rates)
▪ Solid Waste - Transfer Station renewals	\$251,397 (funded from Rates)
<b>Finance and Policy</b>	
▪ CBD Redevelopment - Inner City Upgrade capital works	\$6,334,645 (funded from Loan and Special Reserves)

# Financial Overview

Financial Performance Summary	2016/17 \$000	2017/18 \$000
Rates Revenue	49,003	50,862
Other Revenue, Other Gains & Losses and Interest Revenue	37,327	37,823
Operating Expenditure including Interest Expenditure	86,962	93,827
Operating Surplus/(Deficit)	(632)	(5,142)
Working Capital (excluding loan facility)	(19,929)	(5,582)
Total Assets	932,760	930,456
External Debt	85,986	88,136
Fixed Assets (Net Book value)	812,463	810,057

Financial Statistics Summary	2016/17	2017/18
Proportion of rates to Total Operating Revenue	56.76%	57.35%
Average rate revenue per rateable property	\$1,944.87	\$2,013.62
External Term Debt (as a percentage of total assets)	9.22%	9.47%
External Term Debt (per rateable property)	\$3,412.68	\$3,489.29

Ratepayer Data	2016/17	2017/18
Total Rateable Properties*	25,196	25,259

\* Please refer to Note 1 in the Notes to the Financial Statements of the 2017/18 Annual Report for further information regarding rateable property numbers.

# Financial Prudence Benchmarks

The purpose of this Statement is to disclose the Council's financial performance in relation to other benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

The Council is required to include the Statement in its Annual Report Summary in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this Statement.

## KEY



Benchmark Met



Benchmark Not Met



Benchmark

## RATES (INCOME) AFFORDABILITY BENCHMARK

Year of Annual Report

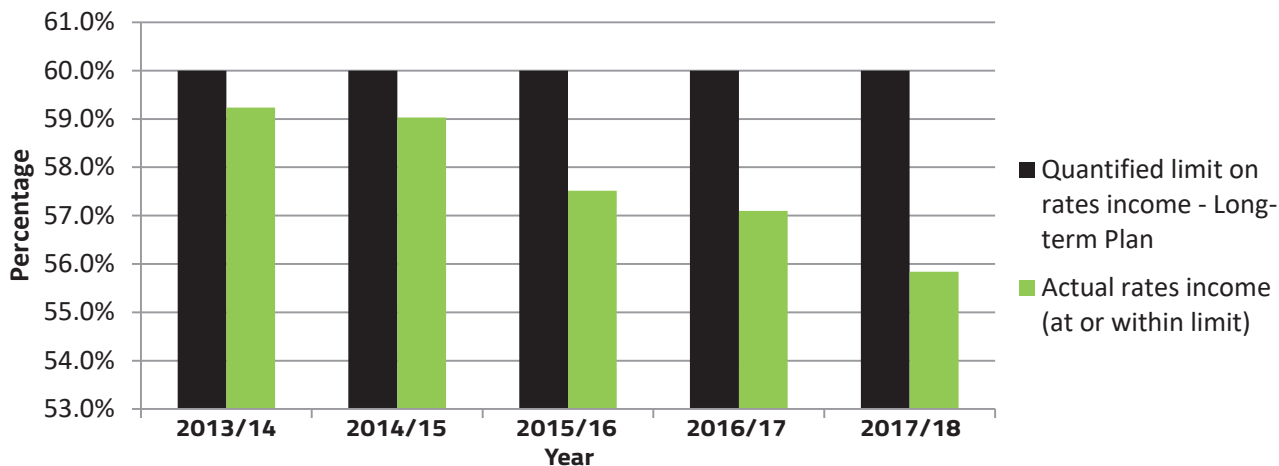
	2013/14	2014/15	2015/16	2016/17	2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Rates Revenue - Annual Report	45,781	46,022	47,883	49,003	50,862
Other income - Annual Report	31,504	31,940	35,369	36,854	40,226
Total Income - Annual Report	77,285	77,962	83,252	85,857	91,088

The Council meets the rates affordability benchmark if -

- its actual rates income equals or is less than each quantified limit on rates income; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's Long-term Plan. The quantified limit is that "Rates revenue as a source will not exceed 60% of its total revenues".

## Limit On Rates



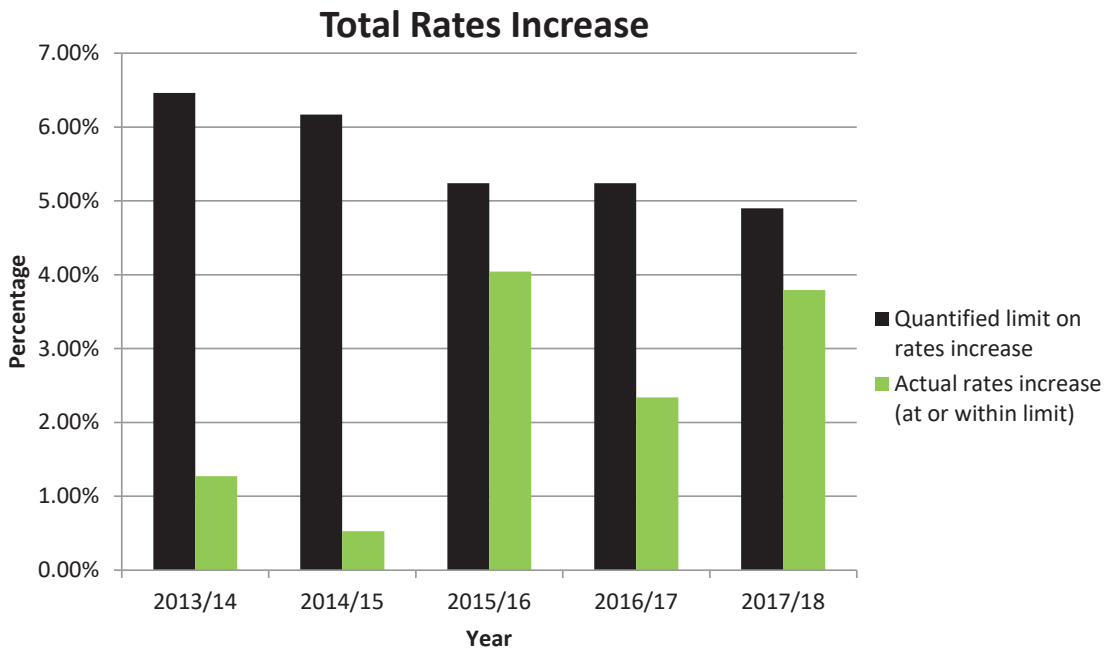
Council aims to maintain the rates collected at a maximum of 60% of the total Council revenue. Council has achieved this over the past five years.

**TOTAL RATES INCREASE**

	2013/14	2014/15	2015/16	2016/17	Year of Annual Report 2017/18
	\$000	\$000	\$000	\$000	\$000
Total Rates Revenue - Annual Report	45,781	46,022	47,883	49,003	50,862
LGCI (Local Government Cost Index)	3.46%	3.17%	2.24%	2.24%	1.90%
Additional Limit	3.00%	3.00%	3.00%	3.00%	3.00%

The Council meets the rates affordability benchmark if -  
 - its actual rates income equals or is less than each quantified limit on rates income; and  
 - its actual rates increases equal or are less than each quantified limit on rates increases.

The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council's Long-term Plan. The quantified limit is that "Total rates increases will be limited to forecast LGCI + 3.0%".



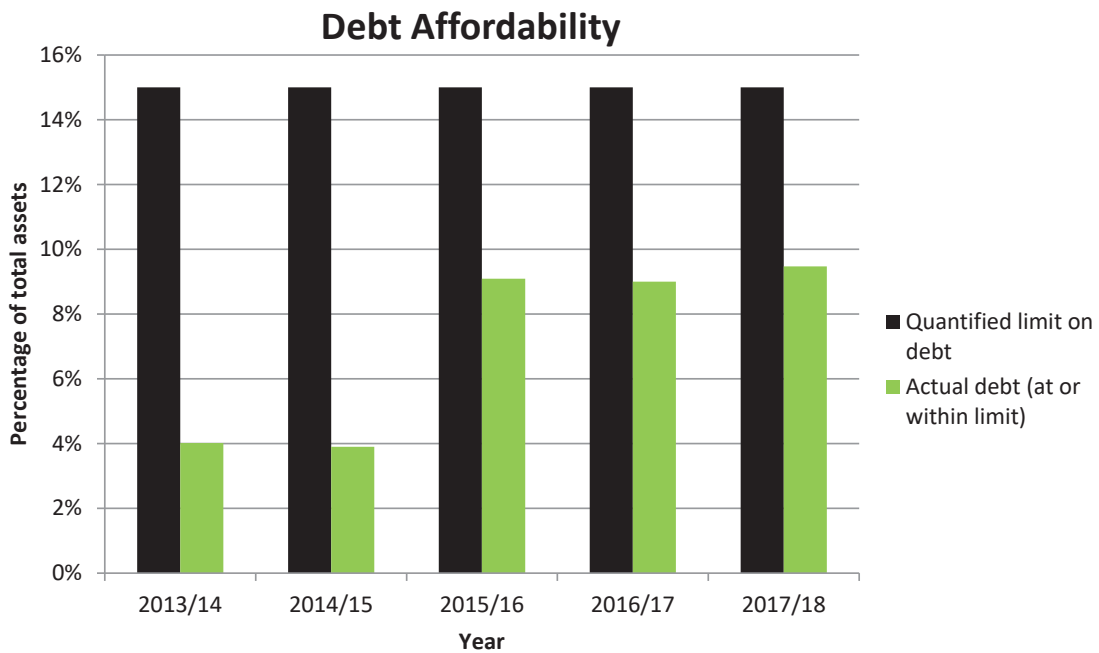
Council's financial strategy aims to limit rates increase to forecast LGCI + 3.0%. As shown above Council has achieved this goal for the last five financial years.

## DEBT AFFORDABILITY BENCHMARK

	2013/14	2014/15	2015/16	2016/17	Year of Annual Report 2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Assets - Annual Report	740,095	739,944	783,386	938,060	930,456
External Borrowing	29,716	28,861	71,248	85,986	88,136

The Council meets the debt affordability benchmark if its actual borrowings is within each quantified limit on borrowing.

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's Long-term Plan. The quantified limit is that "Borrowing of external funds is limited to 15% of total assets".



The Council has a low percentage of debt in relation to total assets, and is mindful of keeping debt to a manageable level. Council considers that setting a borrowing limit of 15% of assets will assist in prudently managing Council's borrowing activities to ensure the ongoing funding of Council.

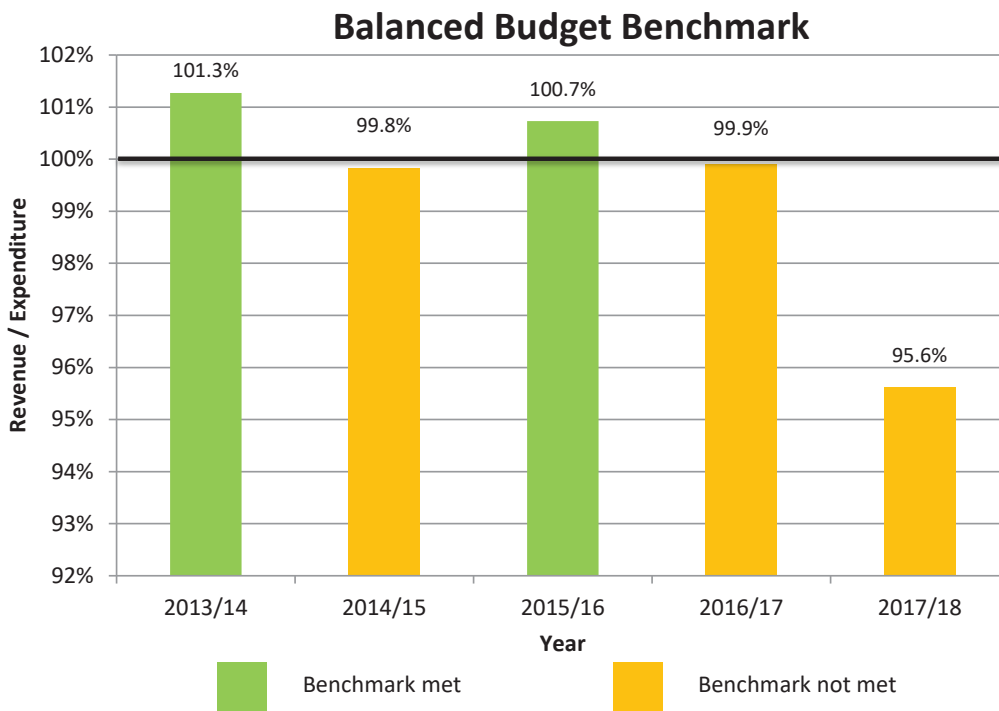
During the 2016/17 year Council increased actual debt from around \$72m up to \$86m. The 2016/17 year was also an asset revaluation year and this saw the Council's total assets increase from \$741m to \$938m. The effect of these two increases has meant the above benchmark has remained around 9% over the past three years.

**BALANCED BUDGET BENCHMARK**

	2013/14	2014/15	2015/16	2016/17	Year of Annual Report 2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue (Excluding *)	77,285	77,962	84,474	87,495	98,419
Total Expenditure (Excluding ^)	76,314	78,104	83,860	87,602	102,929

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment).

The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



\* Excludes - Development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluation gains.

^ Excludes - Losses on derivative financial instruments and revaluations of property, plant and equipment.

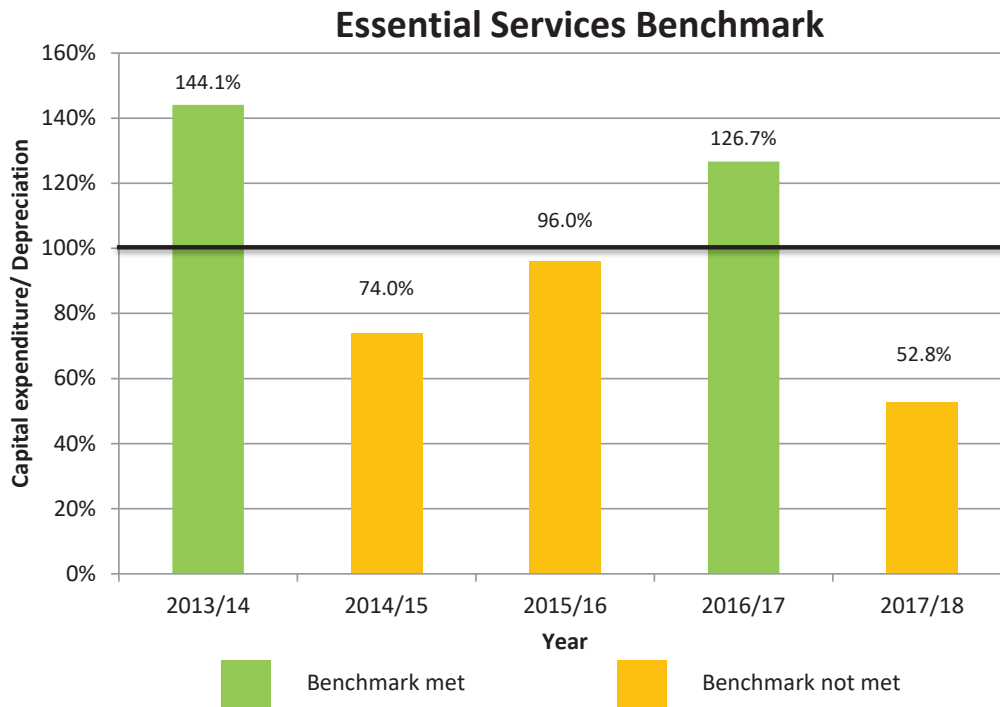
Note: Only revaluations of property, plant and equipment are excluded. Forestry revaluations and gains/losses on investments and investment property are included.

Council is aware of the issue of affordability and financial sustainability. Council revenue has been greater than its operating expenses for two of the past five years. Council continues to investigate efficiencies to reduce expenditure and increase other revenue, and by doing so reduce the revenue needed from rates. The 2017/18 Council depreciation expense increased significantly as a result of the June 2017 asset revaluation. This has had an impact on the 2017/18 result for this benchmark.

### ESSENTIAL SERVICES BENCHMARK

	2013/14	2014/15	2015/16	2016/17	Year of Annual Report 2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Expenditure (Additions) *	21,468	12,455	16,684	23,977	10,630
Depreciation ^	14,895	16,839	17,373	18,928	20,121

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on those network service assets. The Council meets this benchmark if its capital expenditure on network services equals or is greater than the depreciation of those network service assets.



\* Capital expenditure on network assets has been deemed to be additions to Infrastructural Assets as per Note 12: Property, plant and equipment of the 2017/18 Annual Report.

^ Depreciation on network assets has been deemed to be depreciation of Infrastructural Assets as per Note 12: Property, plant and equipment of the 2017/18 Annual Report.

Over time Council's capital expenditure should equal its depreciation, which will mean that Council is replacing its assets as they deteriorate. However, due to some projects being large, it is hard to assess this on a year-by-year basis. During the 2017/18 year Council spent less on capital expenditure than depreciation. This was largely due some capital project scheduled to be completed within the 2017/18 year being started but not completed. The capital upgrade of the Library and Splash Palace are examples of this, both projects will be completed in the 2018/19 year.

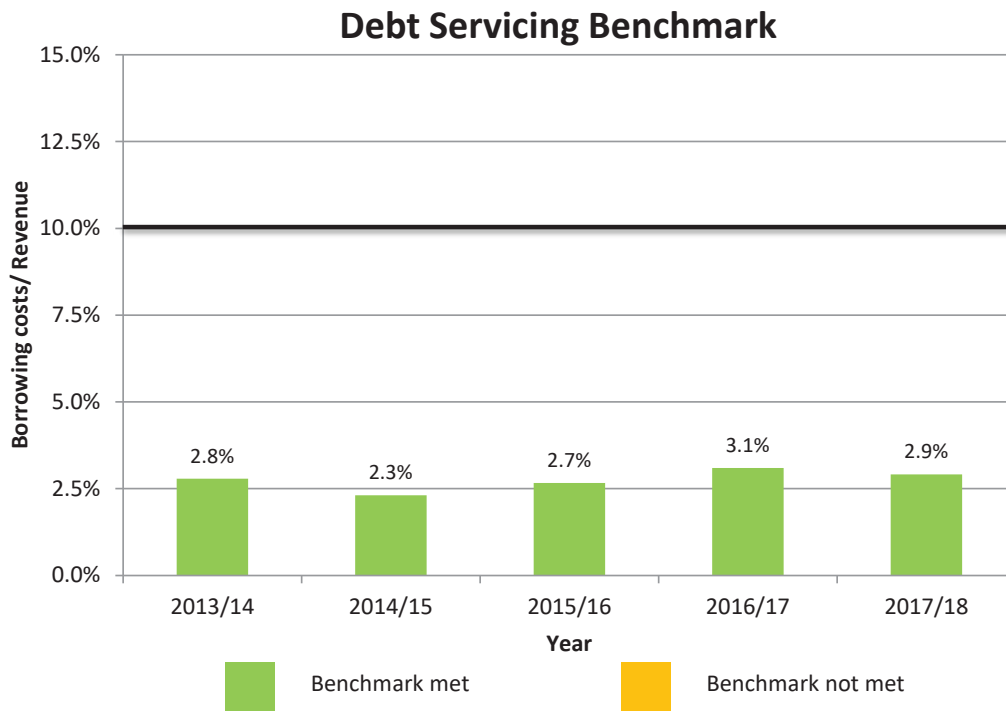


**DEBT SERVICING BENCHMARK**

	2013/14	2014/15	2015/16	2016/17	Year of Annual Report 2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowing Costs *	2,154	1,801	2,253	2,738	2,869
Revenue (Balanced Budget)	77,285	77,962	84,474	87,495	98,419

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment).

Because Statistics New Zealand projects that the Council's population will grow more slowly than the national population growth rate, then Council meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



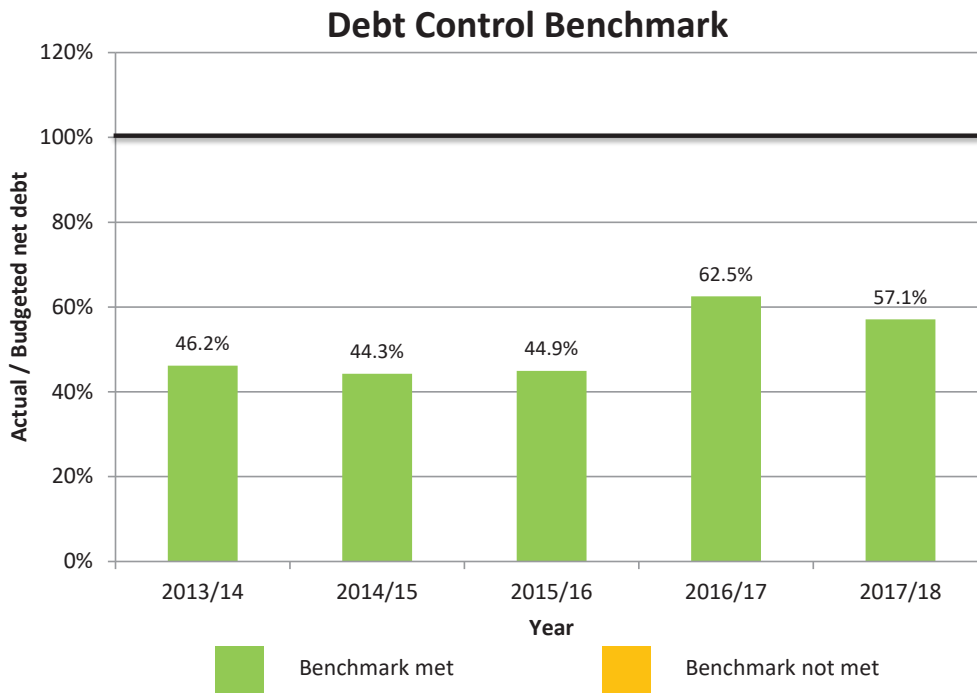
\* Deemed to be Finance Expenses from the Statement of Comprehensive Revenue and Expense in the 2017/18 Annual Report.

Council's cost of debt is well under the legislative threshold of 10% of revenue. Total borrowing has increased over the past three years due to the refinancing of internal debt with external debt and Council incurring more capital expenditure related debt. This has been largely offset by the Council cost of borrowing decreasing over the past three years, as a result of lower market interest rates.

## DEBT CONTROL BENCHMARK

	2013/14	2014/15	2015/16	2016/17	Year of Annual Report 2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Actuals</b>					
Financial Assets - Annual Report *	13,746	15,278	59,529	60,704	66,157
Financial Liabilities - Annual Report ^	38,989	39,803	81,978	96,838	100,181
Actual Net Debt	25,243	24,525	22,449	36,134	34,024
<b>Budgeted</b>					
Financial Assets *	12,699	16,063	7,833	55,847	56,914
Financial Liabilities ^	67,368	71,436	57,791	113,616	116,494
Budgeted Net Debt	54,669	55,373	49,958	57,769	59,580

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement **net debt** means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



\* Financial Assets (excluding trade and other receivables) - as per Annual Report or Annual Plan (LTP) - Statement of Financial Position.

^ Financial Liabilities - as per Annual Report or Annual Plan (LTP) - Statement of Financial Position.

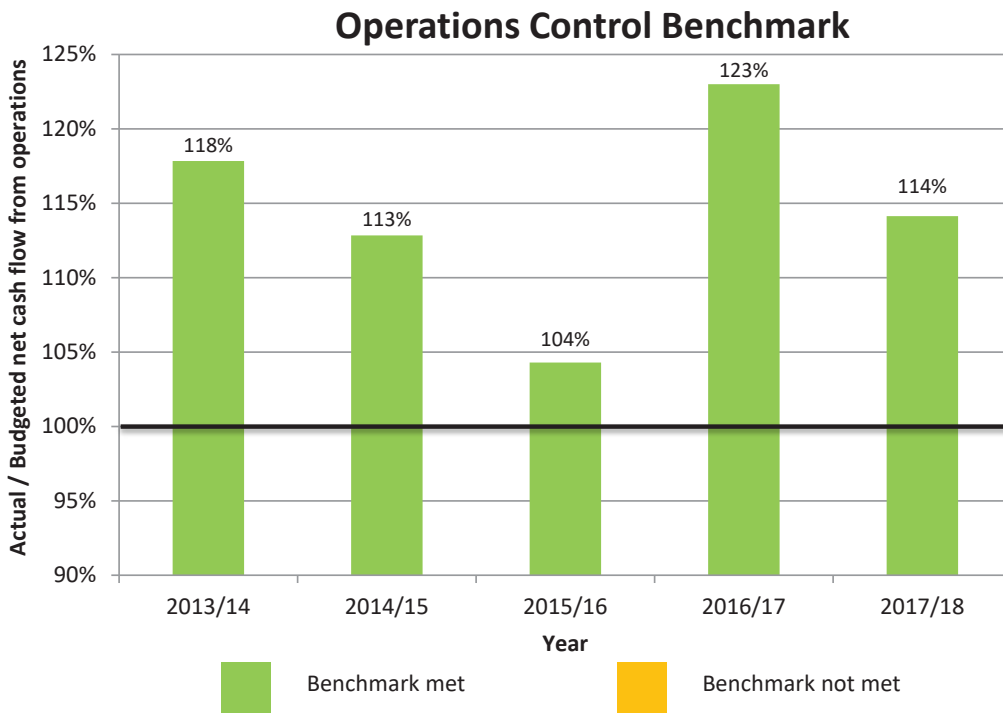
Council's actual net debt position has consistently been below its planned net debt position for the past five years. Council's net debt has remained lower than planned net debt due to the deferral of large debt funded capital projects, in particular the capital work planned for the Civic Administration Building, City Centre Revitalisation and other infrastructure projects.

**OPERATIONS CONTROL BENCHMARK**

	2013/14	2014/15	2015/16	2016/17	Year of Annual Report 2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
Actual Net Cash flows from Operations *	20,248	20,906	20,370	23,094	22,239
Budgeted Net Cash flows from Operations ^	17,183	18,526	19,530	18,769	19,485

The graph below displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



\* Taken from the Statement of Cash Flows in the relevant year's Annual Report.

^ Taken from the Statement of Cash Flows in the relevant year's Annual Plan.

Council has consistently met the operations control benchmark, with actual net cash flows from operations higher than planned cash flows in all five years.

# Summary Statements

## SUMMARY STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	Council Actual 2018 (\$000)	Council Budget 2018 (\$000)	Council Restated Actual 2017 (\$000)	Group Actual 2018 (\$000)	Group Restated Actual 2017 (\$000)
<b>Equity</b>	<b>825,716</b>	<b>740,788</b>	<b>831,185</b>	<b>929,460</b>	<b>930,902</b>
<b>Represented by:</b>					
Current assets	61,113	41,892	28,878	57,853	38,331
Non-current assets	869,343	819,920	903,882	1,086,679	1,104,446
<b>Total assets</b>	<b>930,456</b>	<b>861,812</b>	<b>932,760</b>	<b>1,144,532</b>	<b>1,142,777</b>
Current liabilities	66,695	16,107	48,807	72,217	53,634
Non-current liabilities	38,045	104,917	52,768	142,855	158,241
<b>Total liabilities</b>	<b>104,740</b>	<b>121,024</b>	<b>101,575</b>	<b>215,072</b>	<b>211,875</b>
<b>Net assets</b>	<b>825,716</b>	<b>740,788</b>	<b>831,185</b>	<b>929,460</b>	<b>930,902</b>

## SUMMARY STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2018

	Council Actual 2018 (\$000)	Council Budget 2018 (\$000)	Council Restated Actual 2017 (\$000)	Group Actual 2018 (\$000)	Group Restated Actual 2017 (\$000)
<b>Balance at 1 July</b>	831,185	742,582	696,746	930,902	767,464
Restatement	-	-	(4,700)	-	420
Adjusted balance at 1 July	831,185	742,582	692,046	930,902	767,884
Total comprehensive revenue and expense for the year	(5,469)	(1,794)	139,139	(1,442)	163,018
<b>Balance at 30 June</b>	<b>825,716</b>	<b>740,788</b>	<b>831,185</b>	<b>929,460</b>	<b>930,902</b>
<b>Attributable to:</b>					
Invercargill City Council	825,716	740,788	831,185	926,601	928,051
Minority interest	-	-	-	2,859	2,851
<b>Balance at 30 June</b>	<b>825,716</b>	<b>740,788</b>	<b>831,185</b>	<b>929,460</b>	<b>930,902</b>
<b>Components of net assets</b>					
Retained earnings	380,594	396,521	388,675	454,259	459,455
Restricted and non-restricted reserves	34,189	22,560	31,250	34,736	31,797
Hedging reserve	(957)	(1,122)	(501)	(3,268)	(2,425)
Carbon credit revaluation reserve	464	-	335	464	335
Asset revaluation reserve	411,426	322,829	411,426	443,269	441,740
	<b>825,716</b>	<b>740,788</b>	<b>831,185</b>	<b>929,460</b>	<b>930,902</b>

## SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended June 30, 2018

	Council Actual 2018 (\$000)	Council Budget 2018 (\$000)	Council Restated Actual 2017 (\$000)	Group Actual 2018 (\$000)	Group Restated Actual 2017 (\$000)
Total Revenue	88,911	85,364	83,287	117,615	111,660
Less:					
Operating expenditure on activities	90,958	85,626	84,224	118,874	110,657
Results from operating activities	(2,047)	(262)	(937)	(1,259)	1,003
Less:					
Net finance costs	692	2,253	768	4,080	4,507
Operating surplus (deficit) before tax	(2,739)	(2,515)	(1,705)	(5,339)	(3,504)
Plus:					
Other gains/(losses)	(2,403)	720	1,073	482	21,599
Share of associates' and joint ventures' surplus (deficit)	-	-	-	5,277	4,830
Surplus (deficit) before tax	(5,142)	(1,795)	(632)	420	22,925
Less:					
Income tax expense	-	-	-	2,740	2,988
<b>Surplus (deficit) after tax</b>	<b>(5,142)</b>	<b>(1,795)</b>	<b>(632)</b>	<b>(2,320)</b>	<b>19,937</b>
<b>Attributable to:</b>					
Invercargill City Council	(5,142)	(1,795)	(632)	(2,328)	19,916
Minority interest	-	-	-	8	21
	<b>(5,142)</b>	<b>(1,795)</b>	<b>(632)</b>	<b>(2,320)</b>	<b>19,937</b>
<b>Other comprehensive revenue and expense</b>					
Property, plant and equipment revaluation gains/(losses)	-	-	139,155	1,592	141,018
Carbon credit revaluation gains/(losses)	129	-	(5)	129	(5)
Cash flow hedges	(456)	-	621	(843)	2,068
Total other comprehensive revenue and expense	(327)	-	139,771	878	143,081
<b>Total comprehensive revenue and expense</b>	<b>(5,469)</b>	<b>(1,795)</b>	<b>139,139</b>	<b>(1,442)</b>	<b>163,018</b>
<b>Total comprehensive revenue and expense attributable to:</b>					
Equity holders of the Council	(5,469)	(1,795)	139,139	(1,450)	162,997
Minority interest	-	-	-	8	21
	<b>(5,469)</b>	<b>(1,795)</b>	<b>139,139</b>	<b>(1,442)</b>	<b>163,018</b>

## SUMMARY CASH FLOW STATEMENT

For the year ended June 30, 2018

	Council Actual 2018 (\$000)	Council Budget 2018 (\$000)	Council Actual Restated 2017 (\$000)	Group Actual 2018 (\$000)	Group Restated Actual 2017 (\$000)
Net cash flows from operating activities	22,239	19,485	23,094	27,708	23,360
Net cash flows from investing activities	(30,838)	(19,981)	(38,551)	(33,489)	(32,683)
Net cash flows from financing activities	2,150	414	14,734	59	10,844
<b>Net increase (decrease) in cash, cash equivalents and bank overdrafts</b>	<b>(6,449)</b>	<b>(82)</b>	<b>(723)</b>	<b>(5,722)</b>	<b>1,521</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year	7,796	8,467	8,519	12,899	11,378
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>1,347</b>	<b>8,385</b>	<b>7,796</b>	<b>7,177</b>	<b>12,899</b>



# Explanation of Major Variances

For the year ended June 30, 2018

## **Actual 2018 against Budget 2018**

### *Statement of Financial Position*

1. Current assets are higher than budget because some actual financial asset investments, including some short term deposits, were reclassified from non-current assets to current assets but remained as non-current assets in the budget.
2. Non-current assets are higher than budget because the three yearly revaluation of Council's infrastructure assets was significantly higher than anticipated. These revaluations are prepared by Council staff and then reviewed by AECOM NZ Ltd.
3. Current liabilities are higher than budget because \$50m of actual loans being reclassified from non-current to current but remaining as non-current liabilities in the budget. Non-current liabilities are lower than budget for the same reason. Total borrowings were less than budget because some capital expenditure projects have been deferred.

### *Statement of Comprehensive Revenue and Expense*

4. Total revenue was higher than budget because of additional NZTA funding being received for prior year capital work being completed and paid for during 2017/18. This year also saw Council include its share of WasteNet joint operation income as actual revenue but this was not in budgeted revenue.
5. Operating expenditure on activities was higher than budget due to several different reasons. Depreciation was higher than expected because the revaluation of Council's assets the previous year was significantly more than anticipated. This year also saw Council include its share of WasteNet joint operation expenses as actual expenditure but this was not in budgeted expenditure.
6. Net finance costs were lower than budget due to the Council's average rate of borrowing being lower than anticipated during 2017/18 and because some loan funded capital expenditure projects have been deferred.
7. Other gains/(losses) are lower than budget due to the revaluation of Council's Investment Property being less than anticipated. This is largely due to the Don Street Business House, which was not fully tenanted at 30 June.

## **Actual 2018 against Actual 2017**

### *Statement of Comprehensive Revenue and Expense*

1. Total revenue was higher than 2017 because of an increase in rates revenue, NZTA funding and the inclusion of the WasteNet joint operations revenue this year.
2. Operating expenditure on activities was higher than 2017 because of increases in depreciation and the inclusion of the WasteNet joint operations expenditure this year.

# Notes to the Financial Statements

For the year ended June 30, 2018

The full financial statement are contained in the Annual report, which can be viewed on the Council website at [www.icc.govt.nz](http://www.icc.govt.nz). Annual Report hard copies are available from the Civic Administration office at 101 Esk Street, Invercargill.

## Basis of preparation

The Council is a public benefit entity for financial reporting purposes. The financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with Public Benefit Entity standards and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The Annual Report 2017/18 includes a Statement of Compliance to this effect.

The summary financial statements are in compliance with PBE FRS 43 - Summary Financial Statements.

Audit New Zealand has audited Council's full Annual Report and Summary has issued an unmodified report on both.

The disclosures included in the summary financial statements have been extracted from the full financial information in the Annual report 2017/18 which was adopted by the Council on 30 October 2018.

The summary financial statements cannot be expected to provide as complete and understanding as provided by the full financial statements.

The summary financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars.

There have been no significant changes to accounting policies during the year.

## Prior year error correction.

The Council and Group have adjusted their comparative year financial statements for the year ended 30 June, 2017 for the correction of prior period errors.

The adjustments have been summarised in the table below. Full details of the correction are contained in Note 36 to the financial statements in the 2017/18 Annual Report.

	Before Adjustments (\$000)	Actual 2017 Correction of Error (\$000)	After Adjustments (\$000)
<b>Council</b>			
<b>Revenue</b>	83,887	(600)	83,287
<b>Current Assets</b>	34,178	(5,300)	28,878
<b>Net Assets</b>			
Balance at 1 July, 2017	696,746	(4,700)	692,046
Retained earnings	393,975	(5,300)	388,675
<b>Group</b>			
<b>Non-current liabilities</b>	158,660	(420)	158,240
<b>Net Assets</b>			
Balance at 1 July, 2017	767,464	420	767,884
Retained earnings	459,035	420	459,455

# Audit Opinion

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of Invercargill City Council and Group's summary of the annual report for the year ended 30 June 2018

The summary of the annual report was derived from the annual report of the Invercargill City Council and Group (City Council and Group) for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on pages 3 to 7 and pages 19 to 24:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of service report.

### Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

### Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

### The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 30 October 2018.

includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

### **Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have audited the City Council's 2018-28 Long-term plan and the City Council's Debenture Trust Deed, which is compatible with those independence requirements. Other than these engagements, we have no relationship with, or interests in, the City Council or its subsidiaries and controlled entities.



Ian Lothian  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand  
23 November 2018





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